



Department of Economic and
Community Development

Connecticut
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Catherine H. Smith
Commissioner

TESTIMONY BEFORE THE COMMERCE COMMITTEE

3/1/16

HB 5421: AN ACT CONCERNING TAX REFUND CONTRIBUTIONS TO SUPPORT THE ARTS

HB 5422: AAC AWARDS FROM THE CONNECTICUT ARTS ENDOWMENT FUND

Senator Hartley, Representative Perone, Senator Frantz, Representative Camillo and members of the Commerce Committee. Thanks for the opportunity to testify on two bills before you here today: HB 5421 and HB 5422.

As you are aware, our mission at the Department of Economic and Community Development (DECD) is to develop and implement strategies to increase the state's economic competitiveness. We do this by attracting and retaining businesses and jobs, revitalizing neighborhoods and communities, and preserving and promoting cultural and tourism assets.

DECD's Office of the Arts has enhanced Connecticut's vitality and quality of life by developing and strengthening the arts in Connecticut and making artistic experiences widely available to residents and visitors. Through its grant programs, the Office of the Arts invests in Connecticut artists and arts organizations and encourages the public's participation as creators, learners, supporters, and audience members. The Office of the Arts connects people to the arts and helps to build vital communities across the state.

As with all state programs, funding for the Office of the Arts has been constrained by the current budgetary conditions the state faces. Both HB 5421 and HB 5422 endeavor to create additional non-General Fund revenue sources to help alleviate those pressures and the need for so many line items in DECD's budget.

HB 5422 makes various improvements to the Connecticut Arts Endowment Fund (CAEF), which was established to stimulate the development of private sector funding and help stabilize arts institutions. Currently, interest earned on the Endowment principal is distributed annually to Connecticut non-profit arts organizations that have received a minimum of \$25,000 in contributions in each of the last two years from non-governmental sources. These awards – which organizations can use for capital projects, operations, programming, or for building their own endowments – are calculated based on a formula that rewards those organizations reporting a substantial increase in the amount of private sector contributions received during the prior year.



Because of the very low interest rate environment over the last few years, the amount of funds able to be withdrawn has decreased from over \$850,000 in 2009 to less than \$400,000 this year – despite the fact that the fund has risen from a value of \$15.6 million to \$19 million in the same time period. After discussion with the Treasurer's office, we believe providing the requested flexibility in the distribution formula will allow DECD to provide a more predictable stream of payments to the arts organizations in the state that qualify for funding.

Specifically, HB 5422 seeks to allow the Office of the Treasurer to invest CAEF more like a non-governmental endowment, allowing the DECD to draw down up to 5% of the fund balance, thereby providing a more consistent level of funds to arts organizations for operating expenses.

Second, the legislation proposes to reduce the minimum amount of money that arts organizations must raise in order to be eligible for endowment funding from \$25,000 in contributions to \$15,000; the current amount has been challenging for small and minority non-profit arts organizations to meet.

Third, HB 5422 sets a floor of \$500 for the fund payouts, as we are currently issuing checks for as little as \$100, which is administratively challenging for the agency.

HB 5421 provides the ability for Connecticut taxpayers to elect to dedicate a portion of their income tax returns to a new arts funding account. The election is strictly optional, and taxpayers would be permitted to allocate as little or as much of their return as they desire.

We are confident that both HB 5421 and HB 5422 will help DECD to continue to provide robust support for arts programs in Connecticut. Thank you for considering the department's comments on these pieces of legislation. I strongly urge your support.